



# Brandes reflects:

## Applying Skid-Control Training to Investing

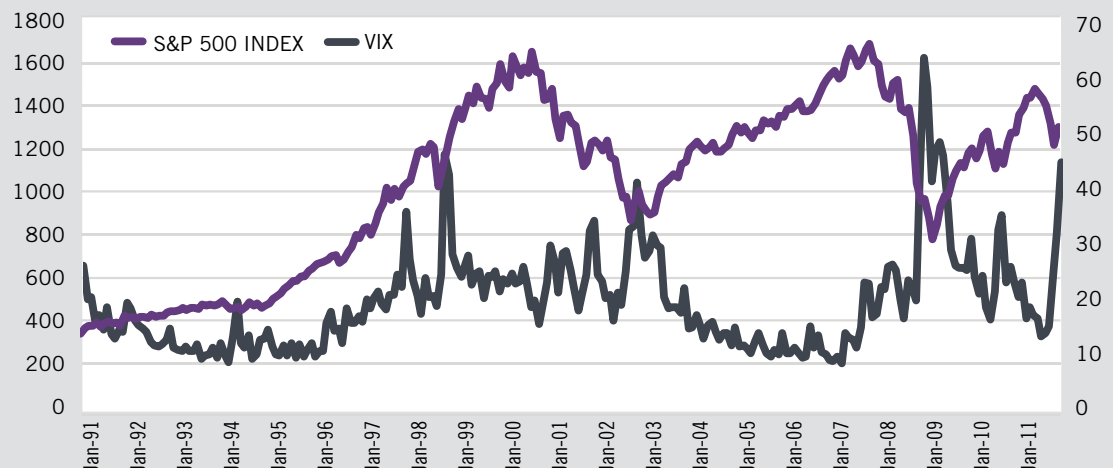
You may have been in a situation where your car hits a sheet of ice or hydroplanes on a highway. It can be an uncomfortable feeling, as you don't know what's going to happen, and worse, you don't know what you can control and what you can't.

Seeing your investments go through volatile periods may evoke the same feeling of discomfort. In times like these, it may help to keep in mind four useful skid-control techniques from driving instructors:

### 1. Override emotion with rational thought

In the case of investing, this could mean the ability to see opportunity amid uncertain situations that could cause stock prices to swing wildly. While past performance is not an indicator of future results, it appears concern about volatility may be an indicator of potential opportunity and not just something to avoid. It is important to note that there were instances in the past when expectations of extreme price swings in the market were followed by periods of positive performance, as illustrated in Exhibit 1.

Exhibit 1: Positive Performance Often Followed Periods of High Volatility Expectations  
Performance of S&P 500 Index (purple line, left axis) and CBOE Volatility Index® (VIX-gray line, right axis)



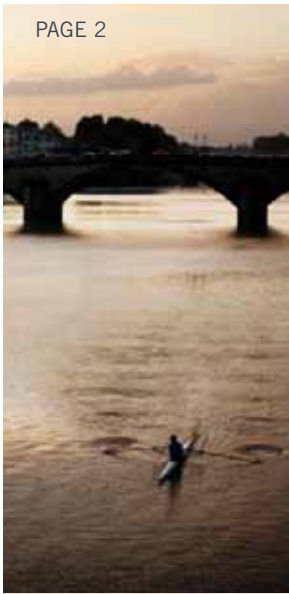
Sources: Yahoo Finance; Brandes Investment Partners; as of 9/30/11; monthly prices in USD

Override emotion with rational thought

Use experience and tested procedures

Know and accept what you can't control

Keep your eyes on where you intend to go



## 2. Use experience and tested procedures

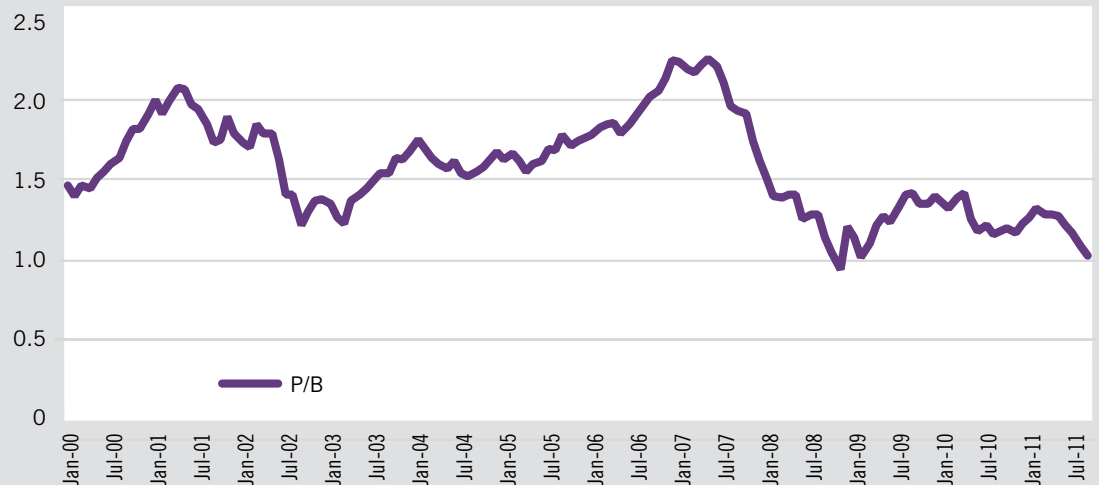
Value investing, which focuses on stocks that are undervalued based on estimates of their intrinsic values, offers a time-tested approach to market volatility. Experience shows that when stock prices swing wildly on the downside, this could create opportunities for investors to buy stocks at deep discounts to their estimated intrinsic values that may have the potential for significant price appreciation.

### Go with an experienced driver

Amid uncertain market conditions, it helps to have an experienced guide to help you navigate today's new world of investing. Partnering with Brandes may help you take advantage of attractive entry points to invest in potentially undervalued stocks globally. Currently, holdings in the Brandes Global Equity Portfolio, which invests in what we believe are undervalued stocks around the world, are trading at historically low price-to-book ratios (used to compare a stock's market value to the value of its assets minus its liabilities, also known as shareholder equity), as shown in Exhibit 2.

Partnering with Brandes may help you take advantage of attractive entry points to invest in potentially undervalued stocks globally.

Exhibit 2 : Brandes Holdings Selling at Deep Discounts Relative to Their Estimated Worth  
Brandes Global Equity Portfolio Price-to-Book Ratios\*



\*Price-to-book ratio typically measures whether a stock could be overvalued (high P/B) or undervalued (low P/B)

Source: Brandes Investment Partners, as of 9/30/11

The portfolio characteristics shown relate to a single account as of date noted, deemed by Brandes to be generally representative of its standard account noted. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Data is updated on an annual basis.

**Our analysts focus not only on company fundamentals but on how economic, political and financial factors could affect companies and ultimately, client portfolios.**

### 3. Know and accept what you can't control

It's impossible to predict what will happen in the future. There are always economic and geopolitical developments that can create heightened uncertainties in the markets. But there are things investors can control – such as which investments they hold today may still make sense over the long term.

### 4. Keep your eyes on where you intend to go

The message is clear for both investors and drivers. If you lose sight of where you want to go, you're very unlikely to get there. As a value investing firm, Brandes remains focused on the road ahead. Throughout our 37-year history, we have never wavered from our underlying investment principles—centered on finding undervalued companies amid shifting market conditions. Our analysts focus not only on company fundamentals but on how economic, political and financial factors could affect companies and ultimately, client portfolios. We hope this quarter's commentary provides additional information and techniques that may help you cope in volatile markets and keep you focused on the goal of building long-term wealth.

Price-to-Book (P/B): Price per share divided by book value per share.

The S&P 500 Index with gross dividends is an unmanaged, market capitalization weighted index that measures the equity performance of 500 leading companies in leading industries of the U.S. economy. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing.

The CBOE Volatility Index® (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Since its introduction in 1993, VIX has been considered by many to be the world's premier barometer of investor sentiment and market volatility.

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